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FM SECSTATE WASHDC

TO AMEMBASSY PARIS IMMEDIATE

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LIMDIS FOR ASSISTANT SECRETARY ENDERS

FOLLOWING REPEAT EC BRUSSELS 2299 ACTION SECSTATE INFO ALL
EC CAPITALS MAR 14

QUOTE

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LIMDIS

BONN PLEASE PASS ASSISTANT SECRETARY HARTMAN

DEPARTMENT PASS TREASURY FOR SECRETARY SIMON, AGRICULTURE FOR
SECRETARY BUTZ AND YEUTTER, AND STR

E.O. 11652: N/A

TAGS: EAGR, ETRD, EEC

SUBJECT: CHEESE AND COUNTERVAILING

1. BEGIN SUMMARY: DURING EVERY MEETING BETWEEN SECRETARY ROBINSON
AND EC COMMISSIONERS THEY STRESSED THE GRAVE CONSEQUENCES OF AN
IMMEDIATE US ANNOUNCEMENT ON COUNTERVAILING DUTIES. THEY ASKED
FOR A POSTPONEMENT OF ANY PUBLIC ANNOUNCEMENT IN ORDER TO ALLOW
TIME FOR FURTHER TALKS. A COUNTERVAILING DUTY ANNOUNCEMENT WILL
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PUT OFF FURTHER DISCUSSIONS FOR A LONG TIME. LARDINOIS HAS AGREED

TO SECRETARY BUTZ' REQUEST TO SEND WIJNMAALEN TO WASHINGTON ON MONDAY FOR TALKS. HE ESTIMATES THAT FAILURE TO REACH A MUTUAL SOLUTION WILL RESULT IN A CHEESE WAR. LARDINOIS STRESSED THE DANGERS FOR AGRICULTURAL NEGOTIATIONS IN THE MTN AND FOR US AGRICULTURAL TRADE. SOAMES AND GUNDELACH BORE DOWN HEAVILY ON THE CONSEQUENCES FOR US/EC RELATIONS. END SUMMARY.

2. IN A SERIES OF TALKS WITH EC COMMISSIONERS, LARDINOIS, SOAMES AND GUNDELACH, ON MARCH 14, UNDER SECRETARY ROBINSON WAS REPEATEDLY REPPROACHED ON THE CHEESE ISSUE. THE MATTER LOOMED LARGEST IN THE CONVERSATION WITH LARDINOIS AND HIS COLLEAGUES RABOT AND WIJNMAALE, WHO MADE A NUMBER OF POINTS. IF THE UNITED STATES IS FORCED BY DOMESTIC POLITICAL PRESSURE TO IMPOSE COUNTERVAILING DUTIES, THESE PRESSURES ARE UNLIKELY TO ALLOW SUBSEQUENT REMOVAL OF THE COUNTERVAILING DUTIES. THE COMMUNITY WILL FIND IT DIFFICULT TO DISCUSS THIS PROBLEM OR NEGOTIATE FURTHER SOLUTIONS FOR A LONG TIME AFTER COUNTERVAILING DUTIES HAVE BEEN ANNOUNCED OR IMPOSED. THE COMMISSION HAS ENCOUNTERED CONSIDERABLE CRITICISM IN ITS EFFORTS TO ACCOMMODATE THE US ON THIS ISSUE. AS IN ITS EFFORTS TO HOLD DOWN CORN IMPORTS, IT HAS TAKEN POLITICAL RISKS AND BEEN LEFT HOLDING THE BAG. LARDINOIS SAID THAT COUNTERVAILING DUTIES WILL CAUSE A "CHEESE WAR" WHOSE EFFECTS WILL BE WORSE THAN THOSE OF THE CHICKEN WAR, THOUGH THE COMMISSION WILL DO ITS BEST TO DAMPEN THE CONSEQUENCES.

3. LARDINOIS SAID THAT HE COULD NOT UNDERSTAND WHAT HAD HAPPENED, SINCE HE THOUGHT THAT HIS PREVIOUS CONVERSATIONS WITH SECRETARY BUTZ AFTER THE PRESIDENT'S SIOUX CITY ADDRESS, AFTER THE EC REINSTITUTION OF SUBSIDIES AND ON OTHER OCCASIONS HAD INDICATED THAT THE MATTER WAS MANAGEABLE. HE HAD SPOKEN AGAIN YESTERDAY WITH SECRETARY BUTZ AND REMINDED HIM THAT AFTER THE PRESIDENT'S SIOUX CITY SPEECH, SECRETARY BUTZ HAD SAID THAT HE THOUGHT THAT THE ISSUE COULD BE WORKED OUT IF THE COMMUNITY DID NOT INCREASE ITS CHEESE SHIPMENTS, WHICH LARDINOIS SAID IT WAS UNABLE TO DO BECAUSE OF US QUOTAS. AT THAT TIME, LARDINOIS SAID HE WELCOMED SOME PRESSURE FROM THE UNITED STATES TO HELP HIM REDUCE THE EXPORT SUBSIDIES. EC ACTION TO DO THIS, TOGETHER WITH SUBSEQUENT DEVELOPMENTS (HIGHER EC INTERNAL PRICES, THE FALL OF THE DOLLAR), HAD MADE IT EVEN LESS LIKELY LIMITED OFFICIAL USE

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THAT THE EC COULD INCREASE ITS EXPORTS. IN YESTERDAY'S TELEPHONE CALL, SECRETARY BUTZ HAD REQUESTED LARDINOIS TO SEND HIS CHEF DE CABINET, WIJNMAALEN, TO WASHINGTON ON MARCH 17 TO TALK WITH BUTZ AND YEUTTER, TO SEE IF ANY COMMON GROUND COULD BE REACHED.

4. UNDER SECRETARY ROBINSON SAID THAT HE THOUGHT IT WOULD BE A GOOD IDEA TO SEND WIJNMAALEN. SUCH A TRIP WOULD DEMONSTATE

THE EC'S EFFORTS TO FIND A WAY OUT, THOUGH HE HAD TO WARN LARDINOIS THAT THERE WAS NO GUARANTEE THAT SUCH A TRIP WOULD ACTUALLY PRODUCE RESULTS OR PERSUADE THE ADMINISTRATION NOT TO COUNTERVAIL WITHIN A SHORT PERIOD OF TIME. LARDINOIS SAID THAT HE WOULD INFORM SECRETARY BUTZ THAT HE WILL INDEED SEND WIJNMAALEN. HE CONTINUED THAT IF THERE ARE SOME ECONOMIC PROBLEMS, THE COMMUNITY WILL TRY TO ALLEVIATE THEM ON PARTICULAR CHEESE, SUCH AS EMMENTHALER. HOWEVER, IF THE US DECISION IS BASED ON "PRINCIPLE", THE COMMUNITY WOULD SEE THIS AS AN EFFORT TO FORCE A BASIC REVISION IN THE CAP. THE COMMUNITY'S FARMERS RECEIVED NO HIGHER PRICES THAN DO THOSE OF THE UNITED STATES, BUT THE COMMUNITY USES DIFFERENT MECHANISMS. PERSONALLY LARDINOIS THOUGHT THAT THE US QUOTA SYSTEM WAS PROBABLY MORE EFFICIENT AS A SYSTEM OF AGRICULTURAL PROTECTION AND ONE WHICH THE COMMUNITY SHOULD PERHAPS STUDY FURTHER.

5. LARDINOIS BELIEVED THAT THE CHEESE ISSUE HAD VERY MUCH DAMPENED THE COMMUNITY'S MOOD ABOUT AGRICULTURAL NEGOTIATIONS IN THE MTN AND MADE HIM SEE LITTLE NEED IN PUTTING MUCH ENERGY INTO GENEVA TALKS AT THIS TIME. (RABOT WAS SOMEWHAT LESS NEGATIVE ON THIS POINT.)

6. LARDINOIS CLOSED BY SAYING THAT HE AND SECRETARY BUTZ HAD HAD A GOOD RECORD OVER THE PAST YEAR IN HANDLING ISSUES AS THEY AROSE. HE HAD HOPED THAT THEY COULD CONTINUE THIS RECORD WITH CHEESE.

7. GUNDELACH, IN A SUBSEQUENT CONVERSATION, ALSO BROUGHT UP THE CHEESE PROBLEM WHICH HE SAID HE FEARED REPRESENTED QUITE A DANGER. SPEAKING PERSONALLY AS A "MODERATE," HE FELT THAT THE UNITED STATES SHOULD UNDERSTAND THE DEPTH OF COMMUNITY FEELING ON THIS ISSUE. HIS OWN ESTIMATE WAS THAT IF THE UNITED STATES AVOIDED THE ESTABLISHMENT OF A DATE FOR COUNTERVAILING, THE LIMITED OFFICIAL USE

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COMMUNITY WOULD BE ABLE TO MAKE MOVES WHICH WOULD MARKEDLY INCREASE THE CHANCE OF WORKING OUT A REASONABLE SOLUTION.

8. SOAMES, IN A LUNCHEON WITH A NUMBER OF OTHER COMMISSIONERS, BROUGHT UP CHEESE IN THE CONTEXT OF THE SUCCESS ACHIEVED IN THE PAST TWO YEARS IN MANAGING POTENTIALLY-CONTENTIOUS US/EC DISPUTES. THIS PROGRESS, BASED AS IT WAS ON PERSONAL RELATIONS BETWEEN US AND COMMUNITY POLITICAL LEADERS, COULD ALL BE DESTROYED "BY A SINGLE ANNOUNCEMENT." THE CRUCIAL IMPORTANCE OF HARMONIOUS US/EUROPEAN RELATIONS WAS TOO GREAT FOR BOTH SIDES TO ALLOW SUCH AN EVENT TO HAPPEN.

9. IN ALL OF THESE CONVERSATIONS, UNDER SECRETARY ROBINSON RECOUNTED THE TREMENDOUS DOMESTIC POLITICAL PRESSURE ON THIS SPECIFIC ISSUE. THOUGH THE UNITED STATES ALSO WISHED TO AVOID

DRAMATIZING BILATERAL ISSUES, THESE DOMESTIC POLITICAL PRESSURES
HAD TO BE TAKEN INTO ACCOUNT. IN ADDITION, COMMITMENTS HAD
BEEN GIVEN IN THE UNITED STATES ON THIS ISSUE IN CONNECTION
WITH THE PASSAGE OF THE TRADE ACT, WHICH HAD TO BE REALISITICALLY
COMPREHENDED. HE COULD NOT HOLD OUT ANY HOPE THAT COUNTER-
VAILING DUTIES COULD BE AVOIDED, BUT HE URGED THE COMMISSION
TO MAKE A STRONG EFFORT. GREENWALD UNQUOE INGERSOLL

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